

G-008/GR-92-400 ORDER ACCEPTING COMPLIANCE FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Marshall Johnson  
Cynthia A. Kitlinski  
Dee Knaak

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Application of  
Minnegasco, a Division of Arkla, Inc., for  
Authority to Increase Its Rates for Natural Gas  
Service in Minnesota

ISSUE DATE: January 13, 1995

DOCKET NO. G-008/GR-92-400

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**PROCEDURAL HISTORY**

On May 3, 1993, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-captioned general rate case. In that Order the Commission required Minnegasco to file annual updates on its Financial Accounting Standard (FAS) 106 funding and manufactured gas plant (MGP) cleanup activities. Minnegasco was required to submit the filings each April 1.

On November 24, 1993, the Commission issued its ORDER ACCEPTING COMPLIANCE FILINGS AND REQUIRING ADDITIONAL FILINGS in the 1993 general rate case. In that Order the Commission ordered Minnegasco to include in its first MGP compliance filing a schedule of planned activities in pursuit of insurance and third party recovery.

On April 1, 1994, the Company submitted its first required MGP and FAS 106 compliance filings.

On October 24, 1994, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in its 1994 general rate case, Docket No. G-008/GR-93-1090. That Order affected both FAS 106 and MGP funding issues. The Commission modified the parties' proposed rate case Settlement Agreement, reducing the MGP cleanup recovery level to \$2.1 million and allowing deferral of costs in excess of the \$2.1 million. The Commission rejected the parties' stipulated agreement to allow internal FAS 106 funding. The Commission ordered the Company to establish an external funding vehicle within 18 months or by the time it files its next general rate case.

On January 5, 1995, the Company's April 1, 1994, compliance filings came before the Commission for consideration.

**FINDINGS AND CONCLUSIONS**

**I. THE FAS 106 COMPLIANCE FILING**

In its April 1, 1994, FAS 106 filing, Minnegasco included the information required in the Commission's May 3, 1993, Order: the existing funding situation; available tax-deductible alternatives; a five-year forecast of future funding levels; the amount of equity in Arkla's and Minnegasco's capital structures; and the existing post-retirement benefit obligation.

The Company included a discussion of the advantages, limitations, and availability of various alternative funding vehicles. Minnegasco also included a five-year forecast of future funding levels using a VEBA trust (the Commission's clear preference in its October 24, 1994, Order) invested in life insurance.

## **II. THE MGP COMPLIANCE FILING**

In its April 1, 1994, MGP filing, Minnegasco included the information required in the Commission's May 3, 1993, Order: the amount of its expenditures for the year; cumulative expenditures to date for MGP costs; types of costs that were incurred; and any recoveries from insurance companies or other parties.

Minnegasco included in its filing a chart of insurance recovery activities through 1997. The Company discussed the various court actions it has initiated against its insurance carriers. Most of the proceedings are in the discovery stage, with anticipated trial dates in 1995. The Company is also conducting settlement negotiations with its insurers as the lawsuits progress.

## **III. COMMISSION ACTION**

The Commission finds that Minnegasco has filed the information regarding FAS 106 funding and MGP cleanup costs required in the Commission's May 3, 1993, rate case final Order. The information is consistent with the Commission's direction in its November 24, 1993, compliance filing Order and October 24, 1994, rate case final Order. The Commission will accept Minnegasco's April 1, 1994, FAS 106 and MGP compliance filings.

### **ORDER**

1. The Commission accepts Minnegasco's April 1, 1994, MGP compliance filing and April 1, 1994, FAS 106 compliance filing.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)